

Message Text

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PAGE 01 CAIRO 07846 101506Z
ACTION ABF-01

INFO OCT-01 NEA-10 ISO-00 EB-08 TRSE-00 CAB-02 CIAE-00
COME-00 DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00
L-03 /035 W
-----057101 101512Z /40
P 101458Z MAR 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 6535

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E.O. 11652: N/A
TAGS: ABUD, EAIR, EG, US
SUBJ: EXCESS FOREIGN CURRENCY: USE OF EGYPTIAN POUNDS

REF: STATE 59569

SUMMARY: GOE EVIDENTLY IN THROES OF INTERNAL DISPUTE ON IMPOSITION SECOND 12.5 PER CENT SURCHARGE ON TICKETS PURCHASED IN L.E. AS RESULT, GOE MINECON MAY HAVE ESCROWED PORTION OF TWA AND POSSIBLY OTHER IATA CARRIERS L.E. EARNINGS PENDING RESOLUTION, BUT MINECON DENIES THIS. PENDING FURTHER INVESTIGATION, BELIEVE TWA CONTINUES HAVE ACCESS MAJOR PORTION, IF NOT ALL L.E. DEPOSITS. END SUMMARY.

1. EMBASSY UNDERSTANDS THAT GOE MINCIVAIR AUTHORIZED ALL IATA CARRIERS TO ASSESS 12.5 PER CENT ADDITIONAL SURCHARGE ON AIR TICKETS PURCHASED IN EGYPTIAN POUNDS AS OF NOVEMBER 1, 1977. THIS WAS IN LINE WITH LONG STANDING IATA CARRIER REQUEST TO GOE THAT SURCHARGE OF 25 PER CENT BE INSTITUTED TO COMPENSATE FOR EXCHANGE RATE DIFFERENCES BETWEEN IATA OFFICIAL RATE FOR L.E. AND INCENTIVE MARKET RATE. GOE HAD PREVIOUSLY AGREED TO 12.5 PER CENT SURCHARGE IN MAY 1976. AS BEST WE CAN
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DETERMINE, ALL IATA CARRIERS OPERATING IN CAIRO HAVE BEEN COLLECTING INCREASED SURCHARGES SINCE NOVEMBER 1, INCLUDING TWA, AND ARE CONTINUING TO DO SO AS OF TODAY, MARCH 10.

2. REGARDING DEPARTMENT'S INQUIRY POSED REFTTEL, EMBOFF CONTACTED GOE MINECON DEPUTY DIRECTOR OF FOREIGN

EXCHANGE CONTROL ABDEL MONEIM ABDOUN MARCH 9 REGARDING POSSIBILITY THAT TWA'S L.E. ACCOUNTS HAD BEEN BLOCKED. (DIRECTOR OF OFFICE IS OUT OF COUNTRY.) GOE OFFICIAL CATEGORICALLY DENIED MINECON HAS TAKEN ANY ACTION TO BLOCK TWA'S OR ANY OTHER IATA CARRIERS ACCOUNTS. SOURCE NOTED HE DISCUSSED ISSUE WITH LOCAL TWA MANAGER EARLIER THIS WEEK AND BELIEVED PROBLEM RESOLVED. ABDOUN COMMENTED FURTHER, HOWEVER, THAT MINECON WAS NOT IN AGREEMENT WITH UNILATERAL DECISION TAKEN BY MINCIVAIR TO NOVEMBER 1977 INCREASE OF SURCHARGE AND HAD ORDERED ALL IATA CARRIERS TO STOP COLLECTING IT AT END JANUARY 1978.

3. GOE CIVAIR DIRECTOR SHINNAWI, ON OTHER HAND, INFORMED EMBASSY MARCH 9 THAT CIVAIR AUTHORITY HAD OFFICIALLY ADVISED IATA CARRIERS TO CONTINUE ASSESSING SURCHARGE WHILE CIVIL AVIATION AUTHORITIES NEGOTIATE DIFFERENCES WITH MINECON.

4. IN CONNECTION WITH SAME PROBLEM, E/C COUNSELOR RECEIVED LETTER FROM TWA AREA ACCOUNTING MANAGER MARCH 6 STATING THEIR VIEW. TWA MATERIALS INCLUDE CIRCULAR LETTER FROM MINECON TO BANQUE DU CAIRE AND NATIONAL BANK OF EGYPT DIRECTING BANKS TO SET ASIDE FUNDS IN FOREIGN AIRLINE ACCOUNTS THAT ACCRUED AS RESULT OF INCREASE IN SURCHARGE. ADDITIONAL ITEMS LIMITED OFFICIAL USE

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ENCLOSED ARE COPIES OF CIVAIR AUTHORITY DECREES AUTHORIZING SURCHARGES AND TWA'S CORRESPONDENCE WITH LOCAL BANKS ASKING THEM NOT TO IMPLEMENT GOE MINECON ORDER.

5. GIVEN CONTRADICTORY INFORMATION AVAILABLE, FULL ASSESSMENT OF SITUATION NOT YET FEASIBLE. NONE-THELESS, IT SEEMS CLEAR THAT PRINCIPAL REASON FOR PROBLEM IS INTERNAL GOE DIVISION OF OPINION ON IMPOSITION OF SECOND 12.5 PER CENT SURCHARGE. IT IS HIGHLY POSSIBLE, DESPITE MINECON ORAL DENIAL, THAT SOME PORTION OF TWA'S LOCAL CURRENCY ACCOUNTS IS BEING HELD IN ESCROW PENDING OUTCOME OF INTERMINISTERIAL NEGOTIATIONS NOW UNDERWAY. THESE APPEAR TO BE INCREMENTAL AMOUNTS RESULTING FROM SURCHARGE RISE; PRESUMABLY TWA STILL HAS ACCESS FOR REMITTANCE PURPOSES TO BULK OF L.E. EARNINGS, WHICH ARE NOT MENTIONED IN MINECON LETTER TO BANKS.

6. EMBASSY WILL SEEK FURTHER DETAILS AND CLARIFICATION. WE ARE POUCHING COPIES OF TWA LETTER AND ATTACHMENTS FOR NEA/EGY INFO. EILTS

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Message Attributes

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Draft Date: 10 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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